

# Fiscal Note

**BILL #** SCR 1007

**TITLE:** property tax; allocation; private schools

**SPONSOR:** Rogers

**STATUS:** As Introduced

**PREPARED BY:** Patrick Moran

## Description

The resolution would amend the Arizona Constitution to authorize the Legislature to allow Arizona property owners to allocate the school district property taxes assessed against their primary residence to a private school.

## Estimated Impact

The fiscal impact would depend on subsequent legislation authorizing the allocation of property tax dollars to private schools. The Legislature would need to determine how re-allocation of district property taxes would affect K-12 formula calculations as well as whether there would be impacts to eligibility for existing programs that provide financial support to students enrolled in K-12 private schools.

## Analysis

School districts levy property taxes that cover a portion of the cost of the K-12 Basic State Aid (BSA) formula. The Legislature annually establishes the Qualifying Tax Rate (QTR) and the State Equalization Tax Rate (SETR) that are used in BSA computations to determine what portion of each district's BSA entitlement is covered by property taxes versus the General Fund. As a result, if the Legislature permitted homeowners to allocate their school district property taxes to a private school, the Legislature would need to determine how the reduction in property tax revenues for the district would be accounted for in BSA calculations. If school districts have lower property tax revenues to cover their share of BSA expenses, the General Fund cost of the BSA formula could increase.

The Legislature would also need to determine whether property tax allocations to private schools would affect eligibility or award amounts from existing programs providing support to private school students, including scholarships from School Tuition Organizations (STOs) or Empowerment Scholarship Account (ESA) program awards. For example, under current law, parents of children enrolled in the ESA program are prohibited from simultaneously receiving a scholarship from a STO (A.R.S. § 15-2402B3). If the Legislature enacted a similar policy for parents allocating property tax dollars to a private school, there could be impacts on participation in STO scholarships and the ESA program, which would affect the General Fund cost of each program.

## Local Government Impact

School districts levy property taxes for items outside the BSA formula, such as bonds and overrides. The Legislature would need to determine how districts would account for allocations to private schools in setting property tax rates for such programs. If school districts are not permitted to adjust their levies, their collections of property taxes would decrease. If levy adjustments are allowed, property tax rates for other payers could increase.

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